

Research Analyst – Aman Agrawal

Dr. Lal PathLabs Ltd.

Date: 26 July 2025

Price: 3077

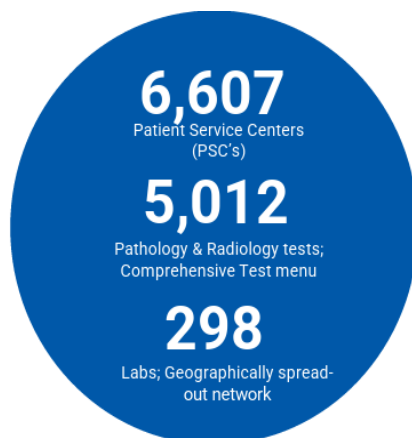
Action: BUY

Industry/Sector	Target Price	Upside Potential	Investment Duration
Healthcare- Diagnostics	3445 to 3540	12% to 15%	6 Months

About Company:

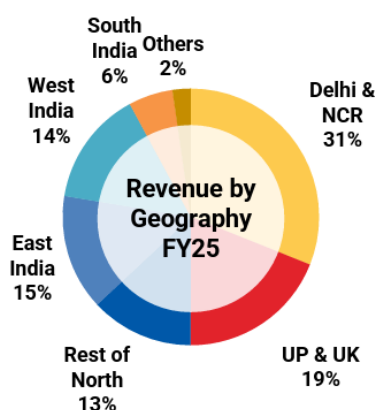
- Dr. Lal PathLabs is one of India's leading well recognized diagnostic & healthcare service providers. Established in 1949 by Dr. S.K. Lal, it has grown significantly to offer a wide array of pathology and radiology tests across a vast network.
- Its test offerings range from basic preventive health packages like SwasthFit to the most advanced investigations, including Comprehensive Genomic Profiles, Myeloid testing for Haematological Malignancies and Amyloid Typing Solutions.
- The company offers a catalogue of 385 test panels, 3,172 pathology tests, 1,455 radiology and cardiology tests.
- Revenue Segment-wise in FY25- B2C is 74% and B2B is 26%.
- Revenue Segment- wise in FY25 – SwasthFit is 24% and Others is 76%.
- Net cash and cash equivalents: INR 1,229 cr. as of March 31, 2025.
- Promoters holding is 53.8% as on 30 June 2025.

75+ years of experience in the field of diagnostics
India's Leading & Trusted Diagnostics Company



131 Mn patients serviced in last 5 years
40 NABL accredited Labs;
2 CAP accredited Labs

Geographical Revenue Mix in FY25:



Suburban Diagnostics India Private Limited (SDIPL):

- During Oct-Nov 2021, Dr. Lal PathLabs acquired 100% of Suburban Diagnostics in an all-cash deal for an enterprise value of INR 925 to 1,150 crores based on an 18.5x multiple of FY22 audited EBITDA.
- This acquisition was a significant strategic move for Dr. Lal PathLabs to strengthen and penetrate its geographical presence in Western India, particularly in Maharashtra (Mumbai and Pune), where Suburban Diagnostics had a strong foothold.
- In FY25, company decided to voluntarily liquidate Suburban Diagnostics as a separate entity, likely to streamline operations, fully integrate its assets and liabilities, and optimize its overall corporate structure.
- The liquidations process of Suburban Diagnostics likely triggered a recalculation of deferred tax assets and liabilities, leading to a one-off adjustment in the financial statements of INR of 41 Cr in FY25.

Financial Performance:

- In Q4 FY25 & FY25, company had One-time Deferred Tax impact on its PAT because of SDIPL (Suburban Diagnostics Pvt. Ltd) Voluntary Liquidation of INR 41 Cr.

FY25	FY24			
Rs. 2,461 crore	Rs. 2,227 crore	Revenue	10.5%	↑
Rs. 696 crore	Rs. 609 crore	EBITDA	14.2%	↑
Rs. 492 crore	Rs. 362 crore	PAT (Reported)	35.9%	↑
Rs. 451 crore	Rs. 362 crore	PAT (Ex. One time adjustment)	24.6%	↑
28.8 MN	27.6 MN	Patients	4.2%	↑
85.6 MN	78.2 MN	Samples	9.5%	↑
24%	22%	SwasthFit Contribution	+2%	↑

- Dr. Lal PathLabs has been delivering 10 to 11% revenue growth in the last 7 quarters on a YoY basis consistently. Moreover, the diagnostic business has a seasonal element in that performance picks up in **June and September quarters due to monsoons. Historically, Dr. Lal PathLabs has been a beneficiary of this trend.**

Dr. Lal Path Labs- Consolidated Financial Performance									
Amounts In Cr.	March'23	June'23	Sept'23	Dec'23	March'24	June'24	Sept'24	Dec'24	March'25
Operating Revenue	491	541	601.3	538.9	545.5	601.9	660.2	596.7	602.6
Operating Profit	115.6	146.2	177.8	140.6	144.7	170	202.5	154	169
OPM % Without OI	23.54%	27.02%	29.57%	26.09%	26.53%	28.24%	30.67%	25.81%	28.05%
Other Income	14.2	14.4	18.1	18.3	18.4	20.6	21.9	25.1	25.8
PAT (Net Profit for EPS)	56.7	82.6	109.3	81.3	84.5	106.4	129.2	96.7	154.8
PAT Margins %	11.55%	15.27%	18.18%	15.09%	15.49%	17.68%	19.57%	16.21%	25.69%

Management Guidance (Q4 FY25):

- West (esp. Mumbai) regions contributes 14-15% in revenues but growth in West was muted (~5% in FY25) due to IT stack changeover and Integration Challenges with Suburban Diagnostics (operational restructuring or streamlining temporarily affected immediate growth in the region). Management expects recovery in the coming quarters.
- Full implementation of Microsoft D365, Starlims, and unified IT stack in Suburban Diagnostics, creating a digitally integrated backbone across both brands.
- FY26 revenue guidance: 11-12% growth, to be volume-led with stable RPP (Revenue Per Patient).
- EBITDA margin guidance: 27% for FY26.

Peer Comparison:

	Dr. Lal PathLab	Vijaya Diagnostics	Metropolis HealthCare	Thyrocare Technologies	Krsnaa Diagnostics
Market Cap (Cr.)	25,779	10,993	10,199	6,954	2,766
P/E Ratio	52.75	76.4	72.9	65.35	35.64
EV/ EBITDA	32	40.56	33.6	32	13.63
Price to Sales	10.5	16.13	7.66	9.6	3.86
OPM Margins	28.3%	40.0%	22.8%	27.7%	26.5%
1 Yr Sales Growth	10.5%	24.4%	10.0%	20.0%	15.8%
1 Yr PAT Growth	36.0%	20.2%	13.3%	30.6%	36.5%

Conclusion:

- Our outlook on Dr. Lal PathLabs is positive and recommend a BUY at the current market price for investors with a short to medium term horizon.
- The company's strong balance sheet along with balanced growth strategy, characterized by aggressive expansion into Tier-3/4 markets and West India, coupled with strategic investments in digital IT infrastructure and specialized test capabilities, positions it favourably for future growth. This methodical approach, underpinned by a commitment to financial discipline, aligns with our investment thesis.
- We anticipate that the company may potentially capture the **inherent positive seasonality of the diagnostics sector, which typically sees stronger performance in the June and September quarters (during the monsoon period)**. This is expected to contribute significantly to value creation. Combined with the management's proven track record and projected PAT growth of 14-16% for FY26, reinforces our positive outlook. Based on the strength of current fundamentals and the anticipated improvements in financial prospects, **we project an upside potential of 12-15% for the company over the next 6 months.**

1 Yr. Return Movement Comparison b/w Dr. Lal PathLabs and Benchmarks (Nifty50 & Nifty500):



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